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DOVER
INDUSTRIES
LIMITED

ANNUAL
REPORT

1969



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Dover Industries Limited

Executive Offices: 145 MacNab St. North, Hamilton, Ontario

OPERATING

ROBINSON CONE COMPANY • *Hamilton, Ontario*

SUBSIDIARY COMPANIES

CHERRY TAYLOR FLOUR MILLS LIMITED • *Preston and Chatham Divisions*

HOWELL LITHO AND CARTONS LIMITED • *Burlington and Toronto Divisions*

TAYLOR GRAIN LIMITED • *Chatham, Ontario*

DOVER MILLS LIMITED • *Halifax, Nova Scotia*

DIRECTORS AND OFFICERS

DIRECTORS

Mrs. M. Campbell	H. J. Carmichael	J. M. Godfrey, Q.C.
D. M. Hunter	E. C. Labarge	J. R. McPhee
W. H. Pinchin	D. Smith	K. C. Hall
J. M. Vallance	D. H. Ward	D. H. Wigle

OFFICERS OF THE COMPANY

President: Mrs. M. Campbell *Vice-President:* D. H. Wigle
Vice-President: D. M. Hunter *Vice-President:* E. C. Labarge
Secretary-Treasurer: J. R. McPhee

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY Toronto, Ontario

CONES & STRAWS

ROBINSON CONE

Sales Offices and Warehouses: Hamilton, Ontario • Toronto, Ontario • Montreal, Quebec

Warehouses and Sales Agents: St. John's, Newfoundland • Halifax, Nova Scotia • Saint John, New Brunswick • Quebec City, Quebec • North Bay, Ontario • Fort William, Ontario • Winnipeg, Manitoba • Regina, Saskatchewan • Saskatoon, Saskatchewan • Calgary, Alberta • Edmonton, Alberta • Vancouver, British Columbia • Victoria, British Columbia

FLOUR & GRAIN

CHERRY TAYLOR FLOUR MILLS • TAYLOR GRAIN • DOVER MILLS

Direct Sales: Coast to Coast—Canada

Sales Agents: England • Scotland • Portugal • Bermuda • Bahamas • Jamaica • Antigua • Barbados • Grenada • St. Lucia • Montserrat • St. Vincent • Dominica • Guyana • St. Kitts • Trinidad • Netherland Antilles

PAPER BOXES, LABELS & POSTERS

HOWELL LITHO & CARTONS

Sales Offices: Toronto, Ontario • Burlington, Ontario • Montreal, Quebec

Sales Agents: St. John's, Newfoundland • Halifax, Nova Scotia • Saint John, New Brunswick • Quebec City, Quebec • Vancouver, British Columbia

Jobber distribution coast to coast.

PRESIDENT'S REPORT

Report To Shareholders

Your Directors herewith present the 29th Annual Report, the consolidated Statements, and a Five Year Financial Summary of Dover Industries for the year ended December 31, 1969.

SALES

Sales were up 4% for the year.

EARNINGS

The consolidated net profit for the year was \$257,343 compared to \$240,854 in 1968. Earnings were \$1.37 per common share after provision for taxes and Preferred dividends.

DIVIDENDS

Dividends at the rate of 6% per annum amounting to \$61,576 were paid on Preferred shares and \$114,256 or 80¢ per share were paid on the Common shares.

WORKING CAPITAL

The Working Capital was increased to \$1,295,430 from \$1,000,839 in 1968.

INVENTORIES

Inventories were down slightly from the previous year to \$3,841,903 compared to \$4,324,251 in 1968.

CAPITAL EXPENDITURES

Capital expenditures during the year amounted to \$146,864. Major items were additional bulk

flour bins, grain storage and an extension to the Robinson Cone plant.

OPERATIONS REVIEW

The Dover Operating Company, Robinson Cone had an 8% increase in sales of ice-cream cones, drinking straws and pails. The plant is being enlarged in order to set up a new line of paper packaging for use by the makers of ice cream novelties.

Howell Litho & Cartons Ltd. had increased sales, production and profits over 1968. The Burlington plant will be extended and the operations in Hamilton will be moved into the new 81,600 sq. ft. addition during the summer of 1970. Bank financing has been arranged for the \$420,000 required for this project. It is anticipated that the Toronto set-up box department will be moved to Burlington the following year.

TAYLOR GRAIN LIMITED

Handling of farmers grain was down in 1969 due mainly to poor wheat harvesting conditions. This, together with an unusually high increase in insurance costs reduced net profits slightly. An additional 50,000 bushels storage was added to the Tupperville Elevator.

FLOUR MILLS

The Halifax mill which has been in operation for nineteen months had an operating profit in

1969. As was expected, this affected production levels of the Ontario mills. However, this condition should correct itself in the next year. Consumer acceptance in the Atlantic Provinces has been gratifying and our commercial export markets in Bermuda, the Bahamas and the Caribbean have been expanded considerably. In the autumn the first Atlantic grown soft wheat was purchased by Dover Mills and milled and sold for commercial use in the area. This was a further step in our policy to support the economy of the Atlantic Region.

PERSONNEL

On July 1st Mr. C. L. Weckman became Vice-President and General Manager of Dover Mills Limited in Halifax. Mr. Weckman has been in the milling industry for a number of years and brings with him extensive experience and background to our milling operations in Nova Scotia. In September Mr. Don Smith was appointed Vice-President in charge of flour sales for the three mills. Mr. Frank Rushton and Mr. William Clarke became plant managers at Preston and Chatham respectively.

No report would seem to be complete this year without mention of the proposals for tax reform outlined in the White Paper released by the Federal government, which if implemented, will have far reaching effects on the economy generally. While tax reform is needed, these

proposals will increase the burden of taxation on business, particularly the smaller incorporated businesses and on the middle-income group. The institution of the comprehensive capital gains tax, the sharp increase in rates on small business and the heavier tax load to be carried by the hard working and able Canadians in the middle-income group will result in reducing the incentives which a young and growing economy need so badly. It is to be hoped that the effect of these proposals will receive further study and be modified so that all Canadians with imagination and ability will be encouraged to remain in Canada and share the responsibility and the benefits of an expanding economy.

The Annual Meeting of the Company will be held at the Holiday Inn in Hamilton on Thursday, April 30th at 10.30 a.m. and we look forward to welcoming as many shareholders as possible at that time. On behalf of the Board of Directors, I would like to express our appreciation to Management and Employees for the important contribution they have made over the past year.

Respectfully submitted,

Mona Campbell

*President
Hamilton, Ontario, March 12th, 1970*

Dover Industries Limited

(Incorporated under the laws of Canada)

Consolidated Balance Sheet, December 31, 1969

(with comparative figures at December 31, 1968)

ASSETS	1969	1968
CURRENT:		
Accounts receivable	\$ 1,299,766	\$ 1,196,413
Inventories (note 1)	3,841,903	4,324,251
Prepaid expenses	44,147	51,956
Total current assets	5,185,816	5,572,620
FIXED (note 2):		
Land, buildings and equipment at cost	7,871,408	7,807,718
Less accumulated depreciation	4,015,315	3,608,856
	3,856,093	4,198,862
OTHER:		
Mortgage receivable	13,000	
Special refundable tax	5,159	19,446
Goodwill (excess of cost of investment in subsidiaries over equity in net tangible assets at date of acquisition)	499,588	499,588
On behalf of the Board:		
<i>Mona Campbell</i> Director		
<i>John R McPhee</i> Director		
	\$ 9,559,656	\$10,290,516

LIABILITIES	1969	1968
CURRENT:		
Bank indebtedness (note 3)	\$ 3,177,484	\$ 3,709,311
Accounts payable and accrued charges	434,912	457,305
Income and other taxes payable	138,688	275,289
Dividends payable	15,394	15,394
Long term debt instalments due within one year	123,908	114,482
Total current liabilities	3,890,386	4,571,781
LONG TERM DEBT (note 4)	1,941,546	1,952,122
DEFERRED INCOME TAXES (note 5)	4,600	125,000
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized:		
105,000 6% cumulative preferred shares of the par value of \$10 each		
redeemable at par		
200,000 common shares without par value		
Issued:		
102,626 preferred shares	1,026,260	1,026,260
142,820 common shares	71,750	71,750
	1,098,010	1,098,010
Retained earnings (statement 2)	2,625,114	2,543,603
	3,723,124	3,641,613
	\$ 9,559,656	\$10,290,516

AUDITORS' REPORT *To the Shareholders of Dover Industries Limited:*

We have examined the consolidated balance sheet of Dover Industries Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations

and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO. *Chartered Accountants.*
Hamilton, Canada, February 27, 1970.

Dover Industries Limited**Consolidated Statement of Income and Retained Earnings****Year ended December 31, 1969** (with comparative figures for 1968)

	1969	1968
Sales	\$16,378,181	\$15,722,080
Operating costs and expenses (including depreciation of \$425,113 in 1969 and \$372,676 in 1968)	15,569,787	14,966,442
Income from operations	808,394	755,638
Interest:		
Long term debt	140,493	116,010
Bank indebtedness	112,758	102,774
	253,251	218,784
Income before taxes thereon	555,143	536,854
Income taxes (note 5)	297,800	296,000
Net income for year	257,343	240,854
Retained earnings at beginning of year	2,543,603	2,478,581
	2,800,946	2,719,435
Dividends declared—		
Preferred—60¢ per share	61,576	61,576
Common—80¢ per share	114,256	114,256
	175,832	175,832
Retained earnings at end of year	\$ 2,625,114	\$ 2,543,603

Notes to Consolidated Financial Statements—December 31, 1969

(1) Inventories—The inventories are valued at the lower of cost and net realizable value and consist of the following:

	1969	1968
Inventory of grains	\$2,324,009	\$2,919,312
Other raw materials	436,292	312,625
Work in process	162,175	146,241
Finished goods	919,427	946,073
	<u>\$3,841,903</u>	<u>\$4,324,251</u>

(2) Fixed assets—

	1969		1968	
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 238,030		\$ 238,030	\$ 238,550
Buildings	2,599,297	\$ 610,838	1,988,459	2,010,855
Equipment	5,034,081	3,404,477	1,629,604	1,949,457
	<u>\$7,871,408</u>	<u>\$4,015,315</u>	<u>\$3,856,093</u>	<u>\$4,198,862</u>

Depreciation has been provided on the straight-line method at rates based on estimated useful life.

(3) Bank indebtedness—Bank indebtedness of the subsidiaries, \$1,646,314, is secured by a pledge of inventories and an assignment of book debts.

(4) Long term debt—Long term debt consists of:

	1969	1968
7% first mortgage repayable in monthly installments of \$360 including principal and interest, due June 10, 1971	\$ 24,835	\$ 27,323
5% debentures of a subsidiary company due February 28, 1975 (requiring yearly sinking fund payments of \$36,000)	216,000	252,000
6% notes of a subsidiary company maturing December 31, 1970 (convertible into preference shares of the subsidiary company and therefore not included in current liabilities)	55,500	55,500

Dover Industries Limited**Consolidated Statement of Source and Application of Funds****Year ended December 31, 1969** (with comparative figures for 1968)

SOURCE OF FUNDS:	1969	1968
Operations—		
Net income for year.....	\$ 257,343	\$ 240,854
Charges or (credits) not affecting working capital:		
Profit on sale of fixed assets.....	(14,520)	
Depreciation.....	425,113	372,676
Deferred income taxes (net).....	(120,400)	(120,700)
	547,536	492,830
Issue of long term debt by subsidiary.....	117,000	626,250
Atlantic Development Board grant to subsidiary.....	64,000	
Special refundable tax recovered.....	14,287	10,421
Other.....	2,040	
Sale of promissory notes of subsidiary.....		9,250
Total source of funds.....	744,863	1,138,751
APPLICATION OF FUNDS:		
New facilities and equipment (net).....	146,864	616,178
Dividends to shareholders.....	175,832	175,832
Provision for repayment of long term debt.....	127,576	114,603
Total application of funds.....	450,272	906,613
INCREASE IN WORKING CAPITAL.....	294,591	232,138
WORKING CAPITAL AT BEGINNING OF YEAR.....	1,000,839	768,701
WORKING CAPITAL AT END OF YEAR.....	\$ 1,295,430	\$ 1,000,839

Notes to Consolidated Financial Statements—December 31, 1969—continued

7% first mortgage sinking fund bonds of a subsidiary company—

Authorized:

Series A repayable in equal annual instalments covering principal and interest in each of the years 1970 to 1978 inclusive and maturing on June 1, 1978..... \$ 750,000

Series B repayable in equal annual instalments covering principal and interest in each of the years 1970 to 1988 inclusive, and maturing on June 1, 1988..... 1,150,000

\$1,900,000

Issued:

Series A..... 668,218 703,355

Series B..... 1,100,901 1,028,426

1,769,119 1,731,7812,065,454 2,066,604

Less: principal repayments due within one year.....

123,908 114,482\$1,941,546 \$1,952,122

(5) Deferred income taxes—The company and its subsidiaries follow the generally accepted accounting practice of deducting in the statement of income the amount of income taxes applicable to the income reported for the year. This may differ from the amount of income taxes currently payable by reason of differences between the amount of capital cost allowances deductible for tax purposes and the amount of depreciation recorded in the accounts, and because of operating losses which may be applied against the profits of future years in computing taxable income. The accumulated excess (on a consolidated basis) of the amount of income taxes provided over the amounts currently payable is included in the balance sheet as "Deferred income taxes".

(6) Statutory information—Remuneration received in 1969 by directors of Dover Industries Limited as directors, officers or employees of the company and its subsidiaries amounted to \$115,963.

(7) Events subsequent to the year-end—Subsequent to December 31, 1969 a subsidiary company contracted for the construction of additional plant facilities at an estimated cost of \$420,000.

Dover Industries Limited

Financial Summary 1965 to 1969

EARNINGS AND DIVIDENDS

	1969	1968	1967	1966	1965
Income before taxes	\$ 555,143	\$ 536,854	\$ 500,092	\$ 767,203	\$ 757,949
Income tax provision	\$ 297,800	296,000	234,200	414,000	399,000
Net income	\$ 257,343	240,854	265,892	353,203	358,949
Net income per preferred share	\$ 2.51	2.35	2.59	3.44	3.50
Net income per common share	\$ 1.37	1.26	1.43	2.04	2.08
Dividends per preferred share	\$.60	.60	.60	.60	.60
Dividends per common share	\$.80	.80	.80	.80	.75
Earnings retained in business	\$ 81,511	65,022	90,060	177,371	183,876

FINANCIAL STATUS

	1969	1968	1967	1966	1965
Current assets	\$5,185,816	\$5,572,620	\$5,109,392	\$2,881,533	\$2,796,455
Current liabilities	\$3,890,386	4,571,781	4,340,691	2,063,370	1,126,037
Working capital	\$1,295,430	1,000,839	768,701	818,163	1,670,418
Current ratio	1.3 to 1	1.2 to 1	1.2 to 1	1.4 to 1	2.5 to 1
Plant and equipment (net)	\$4,015,315	4,198,862	3,955,360	2,698,380	1,570,104
Stockholders' investment (capital and surplus)	\$3,723,124	3,641,613	3,576,591	3,486,531	3,309,160
Common stock equity per share	\$ 18.88	18.31	17.86	17.23	15.98
Shares of preferred stock outstanding . .	102,626	102,626	102,626	102,626	102,626
Shares of common stock outstanding . .	142,820	142,820	142,820	142,820	142,820

